Alberta

BUDGET2009

BUILDING ON
OUR STRENGTH

Third Quarter Fiscal Update 2009–2010

Government of Alberta

February 2010

UPDATING ALBERTANS

The *Third Quarter Fiscal Update* consists of two parts – the updated 2009–10 forecast for the entire fiscal year and the actual results for the first nine months of the fiscal year (April 1 to December 31, 2009).

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2009–10 FORECAST

HIGHLIGHTS

Deficit. Forecast at $3.6 billion, an improvement of $1.1 billion from budget and $700 million from second quarter. The deficit is offset by a transfer from the Sustainability Fund.

Revenue. Forecast at $33.5 billion, an increase of $1.9 billion from budget and $909 million from second quarter. The increase from budget is mainly due to strong investment income, higher conventional oil and oil sands royalties, and higher corporate income tax revenue, partially offset by lower natural gas royalties and lower personal income tax revenue. The increase from second quarter is mainly from higher land lease sales, corporate income tax revenue and a prior years' adjustment to the Canada Health Transfer.

Expense. Forecast at $37.2 billion, an increase of $784 million from budget and $209 million from second quarter. The increases are mainly related to disaster/emergency assistance, income supports programs and providing funding to Alberta Health Services to repay its 2008-09 accumulated deficit. These are partially offset by a doubling of the in-year value review savings, to $430 million, as reported in the second quarter.

Sustainability Fund. Forecast assets at March 31, 2010 of $15 billion, $4.6 billion higher than the budget estimate and $1.7 billion higher than the second quarter forecast. The higher balance is due primarily to the $1.1 billion reduction in the forecast deficit, $1.5 billion in cash from 2008-09 fourth quarter results transferred in 2009-10, and $2 billion in lower capital and other cash requirements.

FISCAL SUMMARY[a]

(millions of dollars)

	2009-10			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Revenue	31,667	**33,541**	1,874	909
Expense[b]				
Program expense				
Operating expense (net of value review savings)	31,250	**31,462**	212	229
Capital grants	4,152	**4,193**	41	(61)
Disaster/emergency assistance	-	**577**	577	123
Capital amortization and nominal sum disposals	774	**710**	(64)	(77)
Debt servicing costs	205	**223**	18	(5)
Total Expense	36,381	**37,165**	784	209
Surplus / (Deficit)	(4,714)	**(3,624)**	1,090	700

[a] Subject to the *Fiscal Responsibility Act*. Does not include changes in results of Crown-controlled SUCH sector organizations or in pension liabilities or, commencing January 1, 2010, revenue and expense of Alberta Innovates corporations. Budget and quarterly revenue and expense numbers have been increased by $6 million to report housing providers on a gross basis, instead of a net basis.

[b] Capital Investment is not included in expense. In 2009-10, capital investment is forecast at: 3,027 2,646 (381) (51)

ALBERTA SUSTAINABILITY FUND

(millions of dollars)

	2009-10			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Assets at Start of Year	16,822	**16,822**	-	-
2008-09 fourth quarter results	-	**1,503**	1,503	-
Transfer to offset deficit	(4,714)	**(3,624)**	1,090	700
Cash adjustments				
Capital cash adjustments	(847)	**59**	906	72
Retained income of funds and agencies	(223)	**(182)**	41	(59)
Other cash adjustments	(679)	**405**	1,084	992
Assets at End of Year	10,359	**14,983**	4,624	1,705

REVENUE

NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is forecast at $6 billion, $109 million higher than budget and $455 million higher than the second quarter forecast. The increase from budget is primarily due to higher oil and oil sands royalties, partially offset by a significant drop in natural gas royalties. The increase from second quarter is mainly due to higher land sales revenue.

The higher-than-expected Canadian/US dollar exchange rate, now estimated to average 91.7 US¢/Cdn$, 8.2¢ higher than budget, also reduces revenue.

Natural gas royalties are forecast at $1.7 billion, $1.9 billion lower than budget and $208 million lower than second quarter. The Alberta Reference Price, used to calculate royalties, is now forecast to average Cdn$3.40/gigajoule (GJ) for the fiscal year, $2.10 lower than budget but 15 cents higher than second quarter.

The natural gas price has deteriorated due to record storage levels resulting from growing US unconventional production and a recession-induced decline in demand. Prices have averaged Cdn$2.94/GJ between April and September and are expected to average $3.76/GJ for the remainder of the fiscal year.

Total oil royalties are forecast at $3.7 billion, $1.4 billion higher than budget and $115 million higher than the second quarter forecast. Oil prices are forecast to average US$69.95/barrel (bbl) for the fiscal year, $14.45 and $2.44 higher than the budget and second quarter forecasts respectively. This is based on an April to November average of US$67/bbl, and a forecast average of US$76/bbl for the remainder of the fiscal year.

Bitumen prices are also much higher –over 50%– than originally forecast, caused by lower global heavy oil supply and increased demand from expanded US upgrading capacity. The higher bitumen price more than offsets higher-than-expected operator costs and lower production.

Revenue from bonuses and sales of Crown leases is forecast at $847 million, $216 million higher than budget, mainly due to a higher-than-expected price per hectare on a December sale of shale gas land leases.

Drilling stimulus incentives. Forecast at $441 million, down $401 million from budget, due to lower activity.

TAX REVENUE

Personal income tax revenue is forecast at $7.9 billion, $626 million lower than budget and $131 million lower than the second quarter forecast. The decrease from budget is mainly due to updated, lower 2008 assessment data, and the decrease from second quarter is mainly due to a lower personal income growth forecast.

Corporate income tax revenue is forecast at $3.3 billion, $853 million higher than budget and $300 million higher than the second quarter forecast. The *Budget 2009* forecast assumed a significant decline from 2008-09 due to the recession. However, cash installment payments from corporations have been greater than expected.

Other tax revenue is forecast at $3.7 billion, $72 million lower than the budget estimate, mainly from the impact of lower volumes on tobacco tax and the tourism levy, and of lower natural gas prices on the freehold mineral rights tax.

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers are forecast at $5 billion, $299 million higher than budget. Health and social transfers have increased by $317 million from budget mainly due to a prior years' adjustment as the 2007 Equalization program re-design guaranteed minimum amounts for the 2007-08 and 2008-09 Canada Health Transfer, and to revised population estimates. Agriculture transfers are $7 million lower than budget mainly due to AgriInvest delivery changes and lower crop insurance premiums, partly offset by AgriStability and Growing Forward increases.

Other transfers are $11 million lower than budget and $61 million lower than second quarter. Increases, mainly for employment and skills training, affordable housing, post-secondary facilities and other infrastructure stimulus are more than offset by re-profiling of about $259 million in infrastructure stimulus to future years.

INVESTMENT INCOME

Investment income is forecast at $3.5 billion, an increase of $1.6 billion from budget. Heritage and endowment fund income is up $1.6 billion from budget, as asset values have recovered strongly from the 2008 financial market decline. Sustainability Fund income is up $180 million from budget mainly due to a higher projected balance. Alberta Capital Finance Authority (ACFA) income has decreased $127 million from budget due to a forecast methodology change for both income and expense.

OTHER REVENUE

Forecast at $4.2 billion, $331 million lower than budget, comprising a $300 million decrease in liquor and gaming revenue from rescinding the liquor mark-up increases and lower-than-expected activity, a $61 million decrease in premiums, fees and licences from lower volumes, partly offset by a net $30 million in other increases.

REVENUE

(millions of dollars)

	2009-10 Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter	Main Reasons for Change from Budget
Income Taxes					
Personal income tax	8,559	**7,933**	(626)	(131)	Lower-than-expected prior years' assessments
Corporate income tax	2,447	**3,300**	853	300	Higher-than-expected cash receipts
	11,006	**11,233**	227	169	
Other Taxes					
Education property tax	• 1,532	**1,536**	4	4	Supplemental property tax
Tobacco tax	915	**865**	(50)	(15)	Lower-than-expected consumption
Fuel tax	725	**745**	20	20	Higher-than-anticipated consumption
Freehold mineral rights tax	200	**165**	(35)	1	Lower natural gas prices
Insurance taxes	298	**302**	4	(2)	Updated 2008-09 cash collections
Tourism levy	76	**61**	(15)	(2)	Lower hotel rates and fewer stays
	3,746	**3,674**	(72)	6	
Non-Renewable Resource Revenue					
Natural gas and by-products royalty	3,687	**1,739**	(1,948)	(208)	Lower natural gas prices
Crude oil royalty	1,249	**1,821**	572	214	Higher oil prices
Synthetic crude oil and bitumen royalty	1,008	**1,856**	848	(99)	Higher bitumen prices
Coal royalty	27	**34**	7	(1)	Higher-than-expected coal prices
Bonuses and sales of Crown leases	631	**847**	216	404	Higher-than-expected price per hectare from recent sale
Rentals and fees	143	**156**	13	2	Higher lease renewal rates
Drilling stimulus initiatives	(842)	**(441)**	401	143	Lower-than-expected drilling activity
	5,903	**6,012**	109	455	
Transfers from Government of Canada					
Health transfers	2,037	**2,335**	298	279	Prior years' adjustment
Canada Social Transfer	1,170	**1,189**	19	-	Higher population share
Agriculture support programs	374	**367**	(7)	32	AgriInvest program delivery change
Other	1,090	**1,079**	(11)	(61)	Various federal stimulus transfers
	4,671	**4,970**	299	250	
Net Income from Commercial Operations					
Alberta Gaming and Liquor Commission:					
Gaming and lottery revenue	1,492	**1,342**	(150)	16	Lower-than-expected activity
Liquor revenue	880	**730**	(150)	-	Rescinding of liquor mark-up increases
Alberta Treasury Branches	148	**144**	(4)	15	Lower interest income
Other	7	**7**	-	-	
	2,527	**2,223**	(304)	31	
Investment Income					
Alberta Heritage Savings Trust Fund	789	**2,178**	1,389	92	Stronger-than-expected equity markets
Endowment Funds:					
Medical Research	52	**165**	113	4	Stronger-than-expected equity markets
Science and Engineering Research	30	**92**	62	5	Stronger-than-expected equity markets
Scholarship	20	**88**	68	2	Stronger-than-expected equity markets
Alberta Capital Finance Authority	294	**167**	(127)	(127)	Revised forecasting methodology
Agriculture Financial Services Corporation	108	**97**	(11)	(1)	Lower interest rates
Sustainability Fund	345	**525**	180	50	Higher balance and returns
Debt Retirement Account	45	**52**	7	2	Higher returns
Other	129	**90**	(39)	(5)	Lower balances and interest rates
	1,812	**3,454**	1,642	22	
Premiums, Fees and Licences					
Motor vehicle licences	366	**360**	(6)	-	Lower vehicle registrations
Crop and hail insurance premiums	251	**219**	(32)	(10)	Reduction in insurance participation
Energy Resources Conservation Board levies	111	**111**	-	-	
Timber rentals and fees	40	**33**	(7)	(1)	Lower volumes/mountain pine beetle infestations
Land titles	62	**58**	(4)	-	Lower housing activity
Other	326	**314**	(12)	2	Lower fees from lands and grazing
	1,156	**1,095**	(61)	(9)	
Other					
Refunds of expense	111	**117**	6	(4)	Miscellaneous changes
Climate Change and Emissions Management	95	**95**	-	-	
Fines and penalties	113	**114**	1	1	Revised forecast
Miscellaneous	527	**554**	27	(12)	ALMA industry funding/Land Stewardship initiatives
	846	**880**	34	(15)	
Total Revenue	31,667	**33,541**	1,874	909	

EXPENSE

TOTAL EXPENSE

Expense has increased $784 million from budget and $209 million from second quarter. Changes from budget:

- $577 million increase in disaster/emergency assistance;
- $212 million net increase in operating expense ($530 million in increases are partly offset by decreases of $215 million in additional value review savings and a net $103 million in dedicated revenue/expense);
- $41 million net increase in capital grants;
- $46 million net decrease in other expense.

Disaster/emergency assistance – $577 million increase from budget: $268 million in agriculture disaster support, $138 million for the H1N1 response, $130 million for forest fire-fighting costs, $25 million to combat mountain pine beetle infestations and $16 million for municipal disaster recovery and wildfire assistance programs.

Capital grants – $41 million net increase, mainly for affordable housing, post-secondary facilities, municipal transportation and water management infrastructure, partially offset by re-profiling grants for health facilities, schools and carbon capture and storage to future years and to re-allocating capital grants to capital investment.

Other expense – $46 million decrease. Debt servicing costs are $18 million higher due to increased borrowing, primarily to repay $1.2 billion owed by the pre-1992 Teachers' Pension Plan (TPP) to the post-1992 TPP. This also reduces pension liabilities. Amortization/nominal sum disposals expense is $64 million lower than budget mainly due to lower provincial highway capital investment and reduced nominal sum disposals.

In-year operating expense limit - The *Fiscal Responsibility Act* limits in-year operating expense increases to 1% of total ministry operating expense, which for 2009-10 is $315 million. Increases of $530 million are offset by $215 million in higher value review savings.

MINISTRY EXPENSE CHANGES

Advanced Education and Technology – $181 million net increase, comprising a net $218 million for post-secondary facilities and $33 million for student loans, partly offset by a $28 million decrease from removing Alberta Research Council and iCORE from the budget presentation (as part of creating the Alberta Innovates corporations) and $42 million in value review and other savings.

Agriculture and Rural Development – $270 million net increase, consisting mainly of industry disaster support.

Education – $123 million decrease, comprising $80 million in value review savings and a net $43 million in school projects re-profiled into future years.

Employment and Immigration – $177 million net increase, comprising $138 million for Income Supports and Health Benefits programs and $52 million for federally-funded skills and training, partly offset by $13 million in value review savings.

Energy – $94 million net decrease, consisting of $95 million in carbon capture and storage capital grants re-scheduled to future years and a net $9 million in value review and other savings, partly offset by a $10 million increase for amortization and cancelling an exploration lease.

Finance and Enterprise – $175 million net decrease. Decreases of $135 million related to a forecast methodology change of ACFA income and expense, $29 million from lower-than-anticipated investment management expenses and $18 million in net value review and other savings are partly offset by a $7 million increase in corporate income tax refund interest.

Health and Wellness – $235 million net increase. Increases of $343 million to fund elimination of the Alberta Health Services 2008-09 accumulated deficit, $138 million for the H1N1 response, and $5 million mainly for consumption of vaccines, are offset by $189 million in value review and other savings, and a net $62 million reduction in capital grants.

Sustainable Resource Development – $159 million net increase: $130 million for forest fire-fighting costs and $35 million for mountain pine beetle infestations, partly offset by $6 million in value review and other savings.

Transportation – $144 million increase. A net increase of $201 million for federal stimulus projects and municipal grants is partly offset by a net decrease of $57 million in operating savings, amortization and nominal sum disposals.

Treasury Board – $167 million decrease mainly from transfers of funds set aside to match federal stimulus initiatives and for capital planning to other ministries. $30 million in budgeted capital grants has also been re-allocated to operating expense for separation payments.

Other Ministries – $56 million net decrease: Housing and Urban Affairs, $43 million increase for affordable housing; Infrastructure, $52 million decrease, mainly re-allocation of capital grants to investment; Environment, $23 million decrease, mainly ecoTrust re-profiling; Other ministries, $24 million net decrease, primarily value review savings.

EXPENSE SUMMARY

(millions of dollars)

	2009-10			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Program Expense				
Operating expense[a]	31,465	**31,995**	530	372
Dedicated revenue / operating expense net changes[b]	-	**(103)**	(103)	(143)
Value review savings	(215)	**(430)**	(215)	-
Net operating expense	31,250	**31,462**	212	229
Capital grants	4,152	**4,193**	41	(61)
Disaster/emergency assistance	-	**577**	577	123
Capital amortization and nominal sum disposals	774	**710**	(64)	(77)
Total Program Expense	36,176	**36,942**	766	214
Debt Servicing Costs	205	**223**	18	(5)
Total Expense	36,381	**37,165**	784	209

[a] Prior to dedicated revenue/operating expense net changes and value review savings.

[b] Dedicated revenue/operating expense changes – Advanced Education and Technology: $23 million net decrease, mainly related to dissolution of ARC; Agriculture and Rural Development: $25 million net increase ($66 million increase in federal funding for agriculture programs, $17 million increase in ALMA industry funding, partly offset by $58 million decrease in federal AgriInvest funding); Culture and Community Spirit: $11 million net decrease mainly in Horse Racing and Breeding Renewal program; Employment and Immigration: $52 million increase in federal skills and training funding; Finance and Enterprise: $141 million net decrease mainly from ACFA forecast methodology change; Sustainable Resource Development: $8 million increase, mainly federal support to combat mountain pine beetle infestations; net decrease of $13 million in other ministries.

EXPENSE BY MINISTRY

(millions of dollars)

	2009-10				
		3rd Quarter	Change from		
	Budget	Forecast	Budget	2nd Quarter	Main Reasons for Change from Budget
Program					
Legislative Assembly	95	**92**	(3)	(3)	Election preparations
Aboriginal Relations	150	**149**	(1)	-	Value review savings
Advanced Education and Technology	3,143	**3,324**	181	5	Capital grants
Agriculture and Rural Development	1,139	**1,409**	270	(6)	Disaster assistance
Children and Youth Services	1,141	**1,141**	-	16	
Culture and Community Spirit	309	**314**	5	(5)	Canada Sports Hall of Fame
Education	6,158	**6,035**	(123)	1	Value reviews / capital grants re-profiling
Employment and Immigration	1,011	**1,188**	177	2	Income Supports and Health Benefits
Energy	501	**407**	(94)	3	Carbon capture and storage capital grants
Environment	348	**325**	(23)	(20)	Canada ecoTrust deferral
Executive Council	36	**35**	(1)	-	Value review savings
Finance and Enterprise	1,283	**1,108**	(175)	(167)	ACFA forecast methodology change
Health and Wellness	12,935	**13,170**	235	472	2008-09 AHS accumulated deficit/H1N1 costs
Housing and Urban Affairs	560	**603**	43	(12)	Affordable housing development
Infrastructure	572	**520**	(52)	(42)	Re-allocation of capital grants to investment
International and Intergovernmental Relations	26	**26**	-	-	
Justice	485	**467**	(18)	(11)	Value review savings
Municipal Affairs	592	**608**	16	-	Disaster recovery and wildfire assistance
Seniors and Community Supports	1,974	**1,952**	(22)	6	Value review savings
Service Alberta	298	**301**	3	4	Utilities Consumer Advocate/registry services
Solicitor General and Public Security	627	**616**	(11)	-	Value review savings
Sustainable Resource Development	344	**503**	159	-	Forest fires/mountain pine beetles
Tourism, Parks and Recreation	193	**201**	8	10	Nominal sum disposals
Transportation	2,227	**2,371**	144	(51)	Various federal stimulus projects
Treasury Board	244	**77**	(167)	12	Transfers to ministries/separation payments
Value Review Savings	(215)	-	215	-	Allocated to individual ministries
Total Program Expense	36,176	**36,942**	766	214	
Debt Servicing Costs	205	**223**	18	(5)	Increased borrowing
Total Expense	36,381	**37,165**	784	209	

CAPITAL PLAN

2009-10 Capital Plan spending, comprising capital grants and other infrastructure support included in expense, and capital investment in government-owned assets not included in expense, is forecast at $6.8 billion, $340 million lower than budget and $112 million lower than second quarter. Major changes reflect project re-profiling and re-costing, and lapsing the unallocated provision.

Municipal Infrastructure Support – $1.6 billion, $132 million increase from budget. Increases of $91 million for community projects supported by federal stimulus funding, $75 million for the Municipal Infrastructure program and $11 million for Fort McMurray housing development, are partially offset by a $35 million reclassification to the Water and Wastewater Management envelope and other net decreases of $10 million.

Provincial Highway Network – $1.9 billion, an increase of $59 million from budget, consisting of a net $261 million increase related to 2008-09 projects partly offset by a net decrease of $202 million, mainly for project re-costing and re-profiling.

Health Facilities and Equipment – $310 million, a decrease of $59 million from budget. Decreases of $35 million for health information systems and $38 million for project re-costing and re-profiling are partly offset by an increase of $14 million for H1N1 vaccine purchases and Capital for Emergent Projects.

Post-secondary Facilities – $708 million, up $218 million from budget. Increases of $131 million for the Centennial Center for Interdisciplinary Science and $98 million under the federal Knowledge Infrastructure program are offset by $11 million in project re-profiling.

Schools – $718 million, down $43 million from budget due mainly to re-profiling of school P3 projects.

Community Facilities – $93 million, $13 million higher than budget, reflecting $10 million for the Canada Sports Hall of Fame and $3 million for parks infrastructure. These are offset by federal funding.

Water and Wastewater Management – $325 million, an increase of $71 million from budget, mainly related to $36 million in additional support for Fort McMurray projects and a net $35 million reclassification from the Municipal Infrastructure Support envelope.

Housing – $406 million, up $78 million from budget, reflecting increases of $58 million for affordable housing supported by federal funding and a net $20 million primarily for Fort McMurray projects.

Government Facilities, Equipment and Other Capital – $755 million, $597 million lower than budget. Decreases of $508 million for project re-costing and re-profiling, $175 million from re-profiling and reclassifying of federal stimulus project funding to future years and other Capital Plan envelopes, are partly offset by increases of $78 million for carried-over 2008-09 projects and a net $8 million in other projects.

Unallocated Provision – The $212 million unallocated provision is being lapsed.

CAPITAL PLAN SUMMARY

(millions of dollars)

	2009-10			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Municipal infrastructure support	1,491	**1,623**	132	(41)
Provincial highway network	1,842	**1,901**	59	(4)
Health facilities and equipment	369	**310**	(59)	(2)
Post-secondary facilities	490	**708**	218	-
Schools	761	**718**	(43)	2
Community facilities	80	**93**	13	(4)
Water and wastewater management	254	**325**	71	39
Housing	328	**406**	78	1
Government facilities, equipment and other capital	1,352	**755**	(597)	(103)
Unallocated provision	212	-	(212)	-
Total Capital Plan	7,179	**6,839**	(340)	(112)

NET FINANCIAL AND CAPITAL ASSETS

Net Assets – Forecast at $38.5 billion at March 31, 2010, an increase of $1.2 billion from the budget forecast and a decrease of $4.2 billion from March 31, 2009. This includes forecast capital assets of $17.8 billion, $341 million lower than the budget estimate but $1.9 billion higher than March 31, 2009.

Heritage Fund – The forecast net book value of the Heritage Fund external assets is $13.8 billion, unchanged from budget and the same as at March 31, 2009. No inflation-proofing is expected as inflation is forecast to be negative.

Endowment and Other Funds – Total assets are forecast at $3.2 billion, $264 million higher than budget and $187 million higher than March 31, 2009, due mainly to stronger-than-expected equity markets.

Sustainability Fund – Assets are forecast at $15 billion at March 31, 2010, $4.6 billion higher than the budget estimate, but $1.8 billion lower than March 31, 2009. Changes from March 31, 2009 include the $3.6 billion withdrawal to offset the deficit and $0.3 billion in various cash requirements, offset by the additional $1.5 billion in cash from 2008-09 fourth quarter results.

Pension Liabilities – Forecast to be $9.5 billion at March 31, 2010, $1.3 billion lower than budget and $583 million lower than March 31, 2009. The change from budget mainly reflects the repayment of $1.2 billion owed from the pre-1992 Teachers' Pension Plan (TPP) to the post-1992 TPP. As the Province is borrowing for this debt repayment, "Other liabilities" are increasing by $1.2 billion. The change in pension liabilities from March 31, 2009 reflects the TPP debt repayment partly offset by increases related to the 2008 financial market downturn, and revised economic and demographic assumptions.

BALANCE SHEET

(millions of dollars)

	at March 31				
	2009	2010			
			3rd Quarter	Change from	2009
	Actual	Budget[a]	Forecast	Budget	Actual
Financial Assets					
Heritage Fund equity	13,838	13,838	**13,838**	-	-
Self-supporting lending organizations	9,235	9,994	**10,296**	302	1,061
Alberta Sustainability Fund	16,822	10,359	**14,983**	4,624	(1,839)
Endowment and other funds[b]	3,062	2,985	**3,249**	264	187
Equity in commercial enterprises	2,345	2,562	**2,479**	(83)	134
Debt Retirement Account	1,175	1,107	**1,107**	-	(68)
Other financial assets	7,574	7,832	**5,885**	(1,947)	(1,689)
Total Financial Assets	54,051	48,677	**51,837**	3,160	(2,214)
Liabilities					
Accumulated debt	1,160	1,092	**1,092**	-	(68)
Pension liabilities[c]	10,081	10,784	**9,498**	(1,286)	(583)
Self-supporting lending organizations	8,424	9,003	**9,682**	679	1,258
Liabilities for capital projects	880	2,626	**2,903**	277	2,023
Other liabilities	6,633	5,996	**7,955**	1,959	1,322
Total Liabilities	27,178	29,501	**31,130**	1,629	3,952
Net Financial Assets	26,873	19,176	**20,707**	1,531	(6,166)
Capital Assets	15,848	18,128	**17,787**	(341)	1,939
Net Assets	42,721	37,304	**38,494**	1,190	(4,227)
Adjustment for pension liabilities	10,081	10,784	**9,498**	(1,286)	(583)
Net Assets for Fiscal Policy Purposes[d]	52,802	48,088	**47,992**	(96)	(4,810)

[a] Budget numbers have been restated to reflect 2008-09 actual results.

[b] Includes the Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Science and Engineering Research Endowment Fund, Alberta Heritage Scholarship Fund, Alberta Cancer Prevention Legacy Fund, and Alberta Enterprise Corporation.

[c] The Actual, Budget and the Quarterly forecast amounts were restated to include the government's portion of liabilities of the Local Authorities Pension Plan.

[d] Under the *Fiscal Responsibility Act*. Excludes pension liabilities, and equity of Crown-controlled SUCH sector organizations and Alberta Innovates corporations.

CAPITAL GRANTS AND OTHER INFRASTRUCTURE SUPPORT[a]

(millions of dollars)

	2009-10			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Advanced Education and Technology	484	**702**	218	-
Agriculture and Rural Development	42	**40**	(2)	(4)
Children and Youth Services	14	**14**	-	-
Culture and Community Spirit	45	**55**	10	(2)
Education	760	**717**	(43)	2
Energy	100	**5**	(95)	5
Environment	112	**97**	(15)	(15)
Finance and Enterprise	6	**6**	-	-
Health and Wellness	288	**226**	(62)	(2)
Housing and Urban Affairs	277	**336**	59	-
Infrastructure	67	**25**	(42)	(35)
Municipal Affairs	355	**359**	4	4
Seniors and Community Supports	51	**51**	-	-
Solicitor General and Public Security	-	**1**	1	1
Tourism, Parks and Recreation	9	**9**	-	-
Transportation	1,349	**1,550**	201	(1)
Treasury Board	193	**-**	(193)	(14)
	4,152	**4,193**	41	(61)

[a] Included in program expense. Includes support for project planning, and accommodation and facility preservation.

CAPITAL INVESTMENT AND AMORTIZATION[a]

(millions of dollars)

	2009-10 Capital Investment				2009-10 Capital Amortization			
		3rd Quarter	Change from			3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter	Budget	Forecast	Budget	2nd Quarter
Legislative Assembly	2	**3**	1	1	1	**1**	-	-
Advanced Education and Technology	16	**11**	(5)	-	8	**7**	(1)	(1)
Agriculture and Rural Development	15	**14**	(1)	(1)	14	**13**	(1)	(1)
Children and Youth Services	2	**2**	-	-	4	**4**	-	-
Culture and Community Spirit	3	**4**	1	-	2	**2**	-	-
Education	1	**5**	4	-	1	**1**	-	-
Employment and Immigration	4	**5**	1	-	3	**3**	-	-
Energy	25	**25**	-	-	20	**21**	1	-
Environment	1	**1**	-	-	22	**22**	-	-
Finance and Enterprise	12	**26**	14	(6)	8	**8**	-	(2)
Health and Wellness	74	**84**	10	-	76	**81**	5	(5)
Housing and Urban Affairs	-	**19**	19	-	24	**24**	-	-
Infrastructure	599	**369**	(230)	14	77	**78**	1	-
Justice	4	**3**	(1)	(1)	8	**8**	-	-
Municipal Affairs	2	**2**	-	-	2	**2**	-	-
Seniors and Community Supports	1	**1**	-	-	1	**1**	-	-
Service Alberta	117	**68**	(49)	(50)	41	**33**	(8)	(8)
Solicitor General and Public Security	36	**27**	(9)	-	3	**3**	-	-
Sustainable Resource Development	26	**37**	11	(4)	15	**15**	-	-
Tourism, Parks and Recreation	18	**24**	6	-	13	**13**	-	-
Transportation	1,857	**1,916**	59	(4)	362	**335**	(27)	(27)
Treasury Board	-	**-**	-	-	1	**1**	-	-
Unallocated provision	212	**-**	(212)	-	-	**-**	-	-
Total	3,027	**2,646**	(381)	(51)	706	**676**	(30)	(44)

[a] Capital Investment includes purchases of inventory. Capital Amortization includes consumption of inventory.

CAPITAL CASH ADJUSTMENTS

(millions of dollars)

	2009-10			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Requirements				
Capital investment	(3,027)	**(2,646)**	381	51
Principal repayment for alternatively-financed projects	(7)	**(7)**	-	-
Total Requirements	(3,034)	**(2,653)**	381	51
Sources				
Capital amortization	706	**676**	(30)	(44)
Net book value of capital asset disposals	41	**6**	(35)	(35)
Alternatively-financed capital investment	340	**294**	(46)	-
Alternatively-financed capital grants	-	**245**	245	-
Direct borrowing	1,100	**1,491**	391	100
Total Sources	2,187	**2,712**	525	21
Total Capital Cash Adjustments	(847)	**59**	906	72

RETAINED INCOME OF FUNDS AND AGENCIES CASH ADJUSTMENTS

(millions of dollars)

	2009-10			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Alberta Treasury Branches	(114)	**(111)**	3	(12)
Agriculture Financial Services Corporation	(165)	**151**	316	(23)
Endowment funds	65	**(189)**	(254)	(15)
Other funds	(9)	**(33)**	(24)	(9)
Total Retained Income of Funds and Agencies	(223)	**(182)**	41	(59)

OTHER CASH ADJUSTMENTS

(millions of dollars)

	2009-10			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Energy royalties	(635)	**355**	990	851
Student loans	(50)	**(68)**	(18)	31
Other	6	**118**	112	110
Total Other Cash Adjustments	(679)	**405**	1,084	992

Note: Negative cash adjustments are a cash requirement; positive cash adjustments are a cash source.

2009–10 FISCAL YEAR ASSUMPTIONS AND SENSITIVITIES[a]

(millions of dollars)

	Sensitivities $ millions		Assumptions			
	2009-10			1st	2nd	3rd
	Annual Change	Net Change	Budget	Quarter Forecast	Quarter Forecast	Quarter Forecast
Oil Price WTI (US$/bbl)	-$1.00	-143	55.50	61.00	67.51	**69.95**
Natural Gas Price (Cdn$/GJ)	-10 cents	-126	5.50	3.75	3.25	**3.40**
Exchange Rate (US¢/Cdn$)	+1 cent	-221	83.50	89.40	91.00	**91.67**
Interest Rates	+1%	-212				
3-month Canada treasury bills			0.60	0.30	0.30	**0.25**
10-year Canada bonds			3.05	3.00	3.50	**3.45**
Personal Income	-1%	-127	2.1%	2.8%	2.6%	**1.8%**
Corporate Taxable Income	-1%	-16	-37.3%	-52.2%	-28.1%	**-26.7%**

[a] Sensitivities based on prices and rates forecast at budget.

Alberta Wellhead Oil Price (Cdn$/bbl)	57.95	59.80	63.14	67.40
Bitumen at Cold Lake (Cdn$/bbl)	31.60	34.16	48.22	49.36

NET FINANCING REQUIREMENTS[a]

(millions of dollars)

	2009-10			
		3rd	Change from	
	Budget	Quarter Forecast	from Budget	2nd Quarter
Requirements				
General Revenue Fund term debt maturities	-	-	-	-
School construction loan repayments	44	**44**	-	-
Alberta Social Housing Corporation debt repayment	24	**24**	-	-
Accumulated debt financing requirements	68	**68**	-	-
Direct borrowing for capital purposes	1,100	**1,491**	391	100
Pre-1992 Teachers' Pension Plan loan repayment	-	**1,186**	1,186	-
Agriculture Financial Services Corporation term borrowing requirements	75	**200**	125	-
Gross financing requirements	1,243	**2,945**	1,702	100
Cash applied to accumulated debt repayment	(68)	**(68)**	-	-
Net Term Debt Financing Requirements	1,175	**2,877**	1,702	100
Term debt financing completed to date	-	**2,709**	2,709	1,185

[a] Does not include alternative financing for capital projects (P3s) or financing requirements of Alberta Capital Finance Authority or ATB Financial.

ACTUAL RESULTS

ACTUAL RESULTS

FOR THE FIRST NINE MONTHS OF 2009–10

METHOD OF CONSOLIDATION

This financial summary is prepared on the same basis as used in *Budget 2009*.

The results of all government departments, funds and agencies, except those designated as commercial enterprises, are consolidated on a line-by-line basis. Revenue and expense transactions between consolidated entities have been eliminated.

The accounts of Crown-controlled corporations and provincial agencies designated as commercial enterprises are included on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles applicable to those entities.

The accounts of Crown-controlled SUCH sector organizations such as school boards, universities, colleges, technical institutes and Alberta Health Services that are controlled by the government are not included in this fiscal summary. These Crown-controlled entities are included in the consolidated financial statements forming part of the Government of Alberta Annual Report.

BASIS OF FINANCIAL REPORTING

The consolidated fiscal summary reports revenue (including gains and losses from sale of capital assets), expense (including amortization of capital assets), and surplus (deficit).

Revenue and expense are recorded using the accrual basis of accounting. Cash received for goods or services which have not been provided by period end is recorded as unearned revenue.

Expense includes the province's cash payments towards the unfunded pension liabilities. Expense excludes the change in the unfunded pension liabilities, which is a non-cash expense that does not affect borrowing requirements.

Debt servicing costs include interest payable and amortization of discount on debt issues.

Comparative 2008-09 figures have been restated where necessary to conform to the 2009-10 presentation.

CONSOLIDATED FISCAL SUMMARY

for the nine months ended December 31, 2009

(millions of dollars)

	First Nine Months		
	2009-10	**2008-09**	**Change**
Revenue			
Income taxes	8,717	8,941	(224)
Other taxes	2,489	2,611	(122)
Non-renewable resource revenue	4,721	11,080	(6,359)
Transfers from Government of Canada	3,301	2,816	485
Net income from commercial operations	1,747	1,816	(69)
Premiums, fees and licences	875	1,635	(760)
Investment income	2,612	(1,416)	4,028
Other	547	467	80
Total Revenue	**25,009**	**27,950**	**(2,941)**
Expense			
Program Expense			
Legislative Assembly	58	64	(6)
Aboriginal Relations	102	64	38
Advanced Education and Technology	2,262	2,499	(237)
Agriculture and Rural Development	1,263	1,298	(35)
Children and Youth Services	857	801	56
Culture and Community Spirit	178	252	(74)
Education	4,402	3,973	429
Employment and Immigration	837	662	175
Energy	258	201	57
Environment	195	125	70
Executive Council	20	18	2
Finance and Enterprise	689	652	37
Health and Wellness	8,933	8,821	112
Housing and Urban Affairs	532	266	266
Infrastructure	367	438	(71)
International and Intergovernmental Relations	17	19	(2)
Justice	331	311	20
Municipal Affairs	498	623	(125)
Seniors and Community Supports	1,470	1,283	187
Service Alberta	208	200	8
Solicitor General and Public Security	446	417	29
Sustainable Resource Development	374	370	4
Tourism, Parks and Recreation	137	138	(1)
Transportation	1,474	1,555	(81)
Treasury Board	29	28	1
Total Program Expense	**25,937**	**25,078**	**859**
Debt servicing costs	147	162	(15)
Total Expense	**26,084**	**25,240**	**844**
Surplus (Deficit)	**(1,075)**	**2,710**	**(3,785)**

PRODUCED BY
Government of Alberta
Finance and Enterprise